



State of Rhode Island and Providence Plantations
DEPARTMENT OF EDUCATION
Shepard Building
255 Westminster Street
Providence, Rhode Island 02903-3400

Peter McWalters
Commissioner

TO: Superintendents

FROM: Peter McWalters
Commissioner

SUBJECT: CMS Proposed Rulemaking

DATE: July 18, 2006

I am writing to you to bring to your attention an urgent financial issue for RI's LEAs. This issue is one about which you and/or your school committee may wish to contact your Congressional representatives.

BACKGROUND:

In the 2004/2005 school year, almost \$409 million was spent statewide on special education programs, accounting for 22% of all educational program expenditures (In\$ite data). Total administrative and direct claims for the Medicaid-eligible special education population submitted for that year was \$23.6 million, of which over \$4.2 million was for administrative claiming. School districts have become dependent on these Medicaid reimbursements to help defray the rising costs of their special education programs.

Special education costs are partially reimbursed by Medicaid for those eligible children with IEPs. However, these reimbursements to the LEAs for special education expenditures have been decreasing over the last several years. As a result of the last round of regulatory revisions made by CMS in 2003, RI's LEAs have lost \$5.3 million in Medicaid reimbursements from state FY 2004 to state FY 2006 (anticipated). Most importantly, the Urban Districts (Central Falls, Newport, Pawtucket, Providence, West Warwick and Woonsocket), which have a high percentage of Medicaid-eligible children, saw their Medicaid reimbursements reduced by over \$3.6 million dollars.

Now, the Centers for Medicare and Medicaid Services (CMS) is expected to put forth an Interim Final Rulemaking this summer, targeting the elimination of Administrative Medicaid claiming (including transportation) for the LEAs. This would amount to a \$4 million loss for RI's districts. CMS' rulemaking effort is likely to occur during the Congressional summer recess.

Compounding this reduction of Medicaid funds has been a consistent targeted reduction or elimination of other federal education funds allocated for the LEAs. From FY 2006 to FY 2007, RI's LEAs suffered an additional \$3 million loss in other federal grants, for a total of almost \$8.5 million. (A spreadsheet analysis of this is attached.) Federal allocations for Title II (D) were cut by 100%, Title III by 20%, Title IV by 21%, Title V by 50%, and several other federal programs are proposed to be further reduced or eliminated in the President's FY 2007 budget.

IMPACT:

In FY 2005, RI's LEAs received over \$4.2 million in administrative claiming reimbursements for the Medicaid-eligible special education population. If CMS' rulemaking effort is successful, the LEAs will lose these funds.

REQUEST:

I am requesting your assistance in writing to Rhode Island's Congressional representatives to inform them of CMS' intent to cut this program without Congressional input.

It is important that these letters are completed as soon as possible, as CMS is moving forward very rapidly. Below are some suggestions to include in the letter. You may also find the following websites helpful; the [LEA net](#), and [the National Alliance for Medicaid Education](#).

- CMS is putting forth these changes without Congressional review or authority.
- RI LEAs have already lost a substantial amount of money (over \$5.3 million) since the May 2003 revision of the federal *Medicaid School-Based Administrative Claiming Guide*.
- The majority of the losses have been felt by the Urban Districts, whose population has the highest needs.
- Medicaid reimbursements are the primary source of coverage for health care services for poor children who otherwise have no insurance.
- Medicaid reimbursements improve and expand needed health care related services for disabled students
- Nationwide, LEA Medicaid reimbursements account for only 1% of Title XIX's budget.

Please include any other information that you may have to strengthen this argument.

In closing, any effort that you can make regarding this issue will be appreciated. Be assured that RIDE and its partners are advocating against CMS' rulemaking effort on behalf of the districts. Please see the attached copy of RIDE's letter to RI's Congressional delegates asking for their assistance in this matter.

Attachments

Cc: School District Business Managers
John Young, DHS